



Transmission Pricing Work Group Report to the RRG

Recommendations and Open Issues

August 10, 2000



Transmission Pricing WG

Outline For Presentation

- **Principles and Objectives of Transmission Pricing WG**
- **Issues Assigned to Transmission Pricing WG**
- **WG Recommendations / Open Issues**
- **Summary Recommendations / Direction to WG from RRG**



Transmission Pricing WG

Principles and Objectives of Transmission Pricing WG:

Contract for use and control of transmission facilities

Compensate the Owners of the facilities for use and control

Provide a consistent and unbiased usage of the facilities by all parties.

Develop a pricing structure that minimizes cost shifts among companies and end users

Develop transmission facilities access fees that are not pancaked and in the absence of congestion, paying a Transmission Access Rate will provide an eligible user with transmission access anywhere within RTO West.



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Issues Assigned to Transmission Pricing WG



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Issues Assigned to Transmission Pricing WG:

- **Recovery of Fixed Transmission Cost**
 - **Recommendation and Open Issues**
- **Transmission Losses**
 - **CM WG is addressing this issue**
- **Price Reciprocity and Other Seams Issues**
 - **See Export Options**
- **Transmission Planning – Pricing Mechanism**
 - **Joint subgroup working with Planning and CM WGs**



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Issues Assigned to Transmission Pricing WG (continued):

- **RTO tariffs**
 - **Support as required by Legal**
- **Firm Transmission Rights (FTRs)**
 - **Support the Legal and Congestion Management WGs as required**
- **Honoring, Converting and Suspension of Existing Transmission Contracts**
 - **Support the Legal and Congestion Management WGs as required**



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WG Recommendations / Open Issues



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Recommendations - Transmission Access Rate

- **Load Based Rate**
- **License plate rate of the company who currently provides transmission access service to the load**
- **Transmission Access Rate (Referred as Company Rate for remaining presentation) = Company Rate + Portion of RTO uplift**
 - *Open Issues -- What is in uplift and how it is allocated?*
- **Fixed for X years, after which RTO revisits rate design**
 - *Open Issue – How long is X?*



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Treatment of Variables that Minimize Cost Shift within Company Rates

Transfer Payments for Long Term Firm Service

- **For the duration of Long Term Contracts that would have been active, a transfer payment (and corresponding FTRs) is made to compensate the party for the suspension of the contact. As the duration period of the contact expires, the transfer payment and corresponding FTRs would cease. In the proposal the revenue lost from this transfer payment would be offset by the sale of FTRs on released transfer capacity used by the former contract.**

- *Open Issue: Should this rule apply to service within the RTO area on paths that do not support exports?*

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Treatment of Variables that Minimize Cost Shift within Company Rates

Transfer Payments for Long Term Firm Service (Continued)

- *Open Issue: What does “constant” mean? If the underlying costs of the service being provided change over time, should that alter the cost-based streams of Transfer Payments that are intended to be netted out?*
- *Open Issue: How do we handle contract expirations and conversion?*



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Treatment of Variables to Minimize Cost Shift within Company Rates

Fixed Transfer Payments for short-term firm and non-firm service

- **PTO to PTO Transfer Payment equals the representative payment for service in baseline period**
- **Transfer Payment remains constant**
 - *Open Issue: Can Transfer Payments be maintained over time if the revenues from the sale of non-exempt FTRs (or entitlements) are used to offset Transfer Payments*
 - *Open Issue: Should transfer payments remain constant or be subject to change to accommodate changing costs?*



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Treatment of Variables to Minimize Cost Shift within Company Rates (continued)

Fixed Transfer Payments for short-term firm and non-firm service (continued)

- *Open Issue: What happens if the auction revenues do not cover or exceeds third party short-term and non-firm lost revenues?*
- *Open Issue: Duration of short-term firm and non-firm Transfer Payments*
- *Open Issue: Working through details of “representative payment”?*
- *What is the baseline period? 1999?*



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Treatment of Variables to Minimize Cost Shift within Company

Rates (Continued)

Billing Determinant

- Load pays the Company Rate of the PTO that was serving the load at the time of RTO formation
- Each PTO may file its own Company Rate billing determinant
- Applicable Company Rate When Load Takes Service from 2 or More PTOs
 - *Open Issue*
- GTA customers shall pay the Company Rate of the transmission owner now serving such GTA customer. For example GTA preference customers of BPA shall pay the BPA Company Rate.
 - *Open Issues: What happens when GTA expires? (Whose Company Rate, how to handle Transfer Payment, who gets FTRs on intermediate system, etc.)*



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Treatment of Variables to Minimize Cost Shift within Company

Rates (Continued)

Billing Determinant (continued)

- **Company Rate for New Utility that Was a Load or for Load that Reconnects to Another PTO.**
 - **Majority Position -- Applicable Company Rate stays constant irrespective of change in interconnection.**
 - **Pro: Supports goal of minimizing/eliminating cost shifts**
 - **Minority Position -- Allow load to change interconnection to secure lower Company Rate.**
 - **Pros: Preserves load's current flexibility to change transmission providers in order to secure lower-cost transmission service; proponent believes "painting" loads violates Washington law**



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Treatment of Variables to Minimize Cost Shift within Company

Rates (Continued)

No substantial change in Revenue Requirement

- **Cost of Replacements are included in the Company Rate of Participating Transmission Provider (PTO)**
- **Cost of transmission upgrades and new facilities for reliability normally go into Company Rate of PTO**
 - **If the customers of multiple PTOs benefit, at the request of the sponsoring PTO, the RTO can allocate cost among benefited PTOs**

(Continued)



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Treatment of Variables to Minimize Cost Shift within Company

Rates (Continued)

No substantial change in Revenue Requirement (continued)

- **Company Rate for New Load/Load Growth**

- **New load pays the Company Rate of the PTO to which it is connected**

- **Load growth - load continues to pay the Company Rate of the PTO that provided the transmission service for the original load,**

- **If an contract exist that addresses cost recovery between PTO and Load for upgrades and additions, the terms of the contract governs.**



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Treatment of Variables to Minimize Cost Shift within Company Rates (Continued)

- **If new facilities are required, the costs will be recovered as follows:**
 - **Direct Assign/Congestion Relief -- Costs recovered from sponsor, not recovered through Company Rate**
 - **Local Facilities -- Costs placed in “local” PTO’s Company Rate**
 - **Shared Benefits -- Costs allocated to Company Rates of PTOs whose load benefits , provided if an existing contract addresses cost recovery between PTOs for upgrades and additions, the terms of the contract governs.**



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Treatment of Variables to Minimize Cost Shift within Company Rates (Continued)

- *Components of Transfer Payment still unresolved:*
 - *Imputed transmission component of both long and short term bundled contracts*
 - *Determination of method to handle lost revenues from third part short-term and non-firm transmission service requires knowledge of the load being served*
 - *With IPPs and Marketers*
 - *Know the transmission usage component*
 - *Much harder to determine the identity of the load*



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Treatment of Variables to Minimize Cost Shift within Company Rates (Continued)

Export Fixed Cost Recovery

- **Long term Firm Contracts (Export and Internal Paths that Support Exports)**
 - **Transfer Payment equals the representative payment for service in baseline period**
 - **Charged to all existing rights holders, not just PTOs**
 - **Transfer Payments remain in place so long as the FTRs initially associated with a contract remain with initial holder**
- **Short term and Non-Firm Service**
 - **Same as Short term firm and non Firm**
 - **Revenues from auction of Export associated FTRs**



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Island Rate

- **Island Rate is not required**
- **All PTOs who encompass islands or serve islands need to have company rate that includes a partial transmission requirements service**
- **Handled similar to existing OATT, but converted to RTO service**

Lower Level Questions being addressed:

- *How do you create a partial TCA to permit a non-PTO to turn over some transmission facilities to the RTO?*
- *If facility is necessary for RTO operation, but not owned by a PTO, then how do you handle this facility?*



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Facilities in RTO

- **Company Rate avoids the need for a uniform facilities decision.**
- **Facilities that must be included in the RTO**
 - **Needed to support main grid transfer capability**
 - **Needed to support Order 2000 functions**
 - *Process is needed for RTO (on its own initiative or on behalf of other parties) to request additional facilities*
- **Additional Facilities that are not required but may be included**
 - **Other facilities accepted in Company Rate, PTO may change decision in the future**
- **When Company Rate ends, RTO, PTOs and others will need to revisit issue of facilities inclusion, and PTOs will need to make a FERC filing regarding allocation of costs and resulting decisions on included facilities.**



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Transmission Losses

- *Still open*
- *Referred to Congestion Management Work Group*



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Recommendations:

- **Next Step for WG**
 - **Keep Addressing Open Issues**
 - **What remains to be completed?**
 - **Paid To/Received From (reconciliation of numbers, wrap-up)**
 - **Transfer Payments**
 - **List of Contracts (treatment for specific contracts, e.g., FTRs will be addressed later)**
 - **Need to have Congestion Management deal with issue of issuing FTRs on paths that are not currently congested but for which existing firm rights are supported by transfer payments**



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Recommendations (continued):

- **Provide Additional Consensus Next Week and Position Statements on Non-Consensus Issues**
- **Provide direction as Policy Statement on Open Issues**
- **Accept the Consensus provided in this Report**



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- Questions/Comments



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**The following are submittal handouts
and not part of formal presentation.**



Transmission Pricing WG

Calendar:

May 18, 2000	Kick Off Meeting for WG - Complete	RTO West Facility
May 25	TXPR WG Workshop #1 Complete	RTO West Facility
May 30	TXPR WG Meeting #2- Complete	RTO West Facility
June 2	TXPR WG Meeting #3-Complete	Telephone
June 9	TXPR WG Meeting #4-Complete	Telephone
June 14	TXPR WG Meeting #5-Complete	Telephone
June 23	TXPR WG Meeting #6-Complete	Telephone
June 29-30	TXPR WG Meeting #7-Complete	RTO West Facility
July 13-14	TXPR WG Meeting #8-Complete	RTO West Facility
July 20-21	TXPR WG Meeting #9-Complete	RTO West Facility
July 27-28	TXPR WG Meeting #10-Complete	RTO West Facility
August 3-4	TXPR WG Meeting #11	RTO West Facility
August 9	TXPR WG Meeting #12	RTO West Facility